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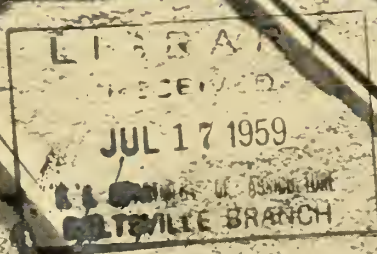
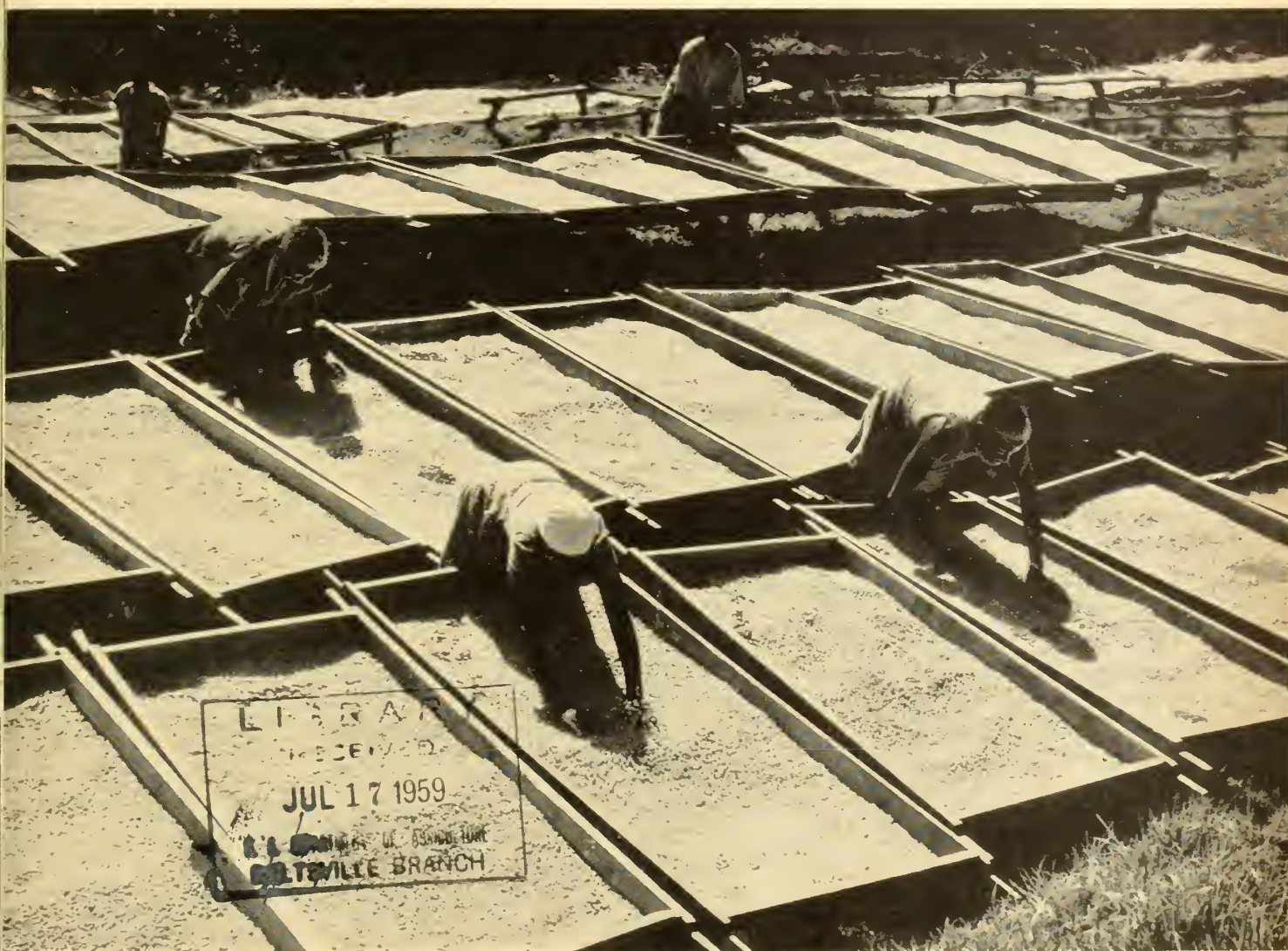
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# FOREIGN

JUNE  
1959

## AGRICULTURE



Drying Coffee in Kenya

Africa South of the Sahara

Trouble for Soybeans?

Wheat—International Agreement,  
Trade Prospects and Policies



UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

# FOREIGN

## AGRICULTURE

VOL. XXII . . No. 6 . . JUNE 1959

To report and interpret world  
agricultural developments.



### The Problems Of Wheat

The Northern Hemisphere wheat harvest is well under way. Appropriately, in this issue we present three timely articles—U.S. wheat trade prospects, wheat pricing policies of the big foreign exporters, and the new International Wheat Agreement.

World wheat production last year reached a new record of 8.7 million bushels. This represented more than a 100-percent gain over 50 years ago. But in this period the world's population increased only about 70 percent. Per capita wheat consumption has risen, but not sufficiently to absorb this gain, hence our oversupply.

World trade in wheat during the past 3 years has averaged over 1.2 billion bushels annually, up 30 percent from the 3 years right after the Korean conflict. Much of this increase resulted from the special export programs of the United States and Canada.

Yet despite more trade, world wheat stocks are not being materially reduced. U.S. wheat stocks are expected to reach the all-time high of 1.3 million bushels by July 1, 1959, and to be even higher next year.

The outlook is for additional increases in world wheat trade, and this will help. Nevertheless, difficult production and marketing problems lie ahead.

### Cover Photograph

Coffee beans are spread out to dry under the African sun at new coffee cooperative in Kenya. The countries "south of the Sahara" supply 22 percent of the world's coffee exports, and production and trade are mounting.

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Public Relations Dept., Tanganyika

Sisal fiber drying on racks in Tanganyika, the world's leading producer. Sisal is also the country's top export.

# Africa South of the Sahara

By **ROBERT C. MONCURE**

Africa and Middle East Analysis Branch  
Foreign Agricultural Service

**P**RESENT-DAY political geographers have drawn an imaginary line across the map of Africa running slantwise from about 20° N. on the west to just slightly above the Equator on the east. Everything below that line falls into what is now generally called "Africa South of the Sahara," a term not entirely accurate since the Sahara's desert land dips down into the northern part.

The vast area, which constitutes almost two-thirds of the African continent, is made up of 40 countries ranging from little-developed colonial territories to colonies on the verge of independence and from newly formed republics to at least one well-established nation. It also includes Madagascar and nearby Indian Ocean islands as well as five United Nations Trustships. In 1957, its population was estimated at well over 150 million, only 5 million of which were Europeans and slightly more than 1 million of Asiatic origin.

The common denominator is agriculture. All of the countries south of the Sahara grow most of their own food. And all of them, except the Union of South Africa, the Rhodesias, Sierra Leone, and the Belgian Congo, which have rich diamond and mineral deposits, earn most of their foreign exchange through exports of agricultural commodities. Imports for the most part are nonagricultural. Mauritius' and Zanzibar's imports average around 30 percent agricultural, French West Africa's from 22 to 24 percent, Ghana's 17 percent, and Guinea's 15 percent. In



Federal Info. Dept., Southern Rhodesia

Modern shops, such as this one in Nyasaland, are slowly replacing native markets. A few supermarkets exist too.

the other countries they amount to only 5 to 10 percent of total value.

## Agricultural Exports

This part of Africa supplies a big slice of the world's agricultural trade in tropical products. It ships 75 percent of the peanuts and peanut oil, 66 percent of the palm oil and palm kernels, 66 percent of the vanilla, 62 percent of the sisal, and 60 percent of the cocoa. Its coffee exports account for 22 percent of total world volume, wool 10



Harvesting corn in the Union of South Africa. Corn production has risen rapidly in recent years and country has become world's second largest exporter.

percent, cotton 8 percent, citrus fruits 7 percent, sugar 5.3 percent, and tea 5 percent. Since 1956, corn has been a large export crop averaging from 16 to 20 percent of the world corn trade. Rubber is expanding—principally in Nigeria, Liberia, and the Belgian Congo—and within the next decade its present yearly total of 120,000 tons may double.

Two commodities—corn and coffee—have risen rapidly in recent years. From 1951 to 1955, the area's corn exports averaged about 12 million bushels a year; in 1956-58, they were ranging between 42 million and 52 million bushels, and the Union of South Africa had become the second largest corn exporter in the world. Angola also exports moderate quantities of corn and in some years the Rhodesias and Kenya do too.

The rise in coffee exports has been even more spectacular. In 1947, they totaled 375,000 bags; by 1958, they had mounted to 2,511,000 bags. Africa is the original habitat of both Arabica and Robusta coffee. Most of the rise has occurred in the Robusta coffees from French West Africa, Uganda, Belgian Congo, and Angola; in fact, they now constitute 85 percent of the area's total coffee exports.

#### Agricultural Imports

Although these African countries produce most of their own agricultural

needs, a few farm products are being imported in increasingly large quantities. Wheat and wheat flour are the two most significant ones. Excluding the Union of South Africa, the area now buys abroad in terms of flour equivalent more than 400,000 metric tons a year compared with 140,000 in 1948-50 and 54,000 prewar. In recent years (except 1957-58), the Union of South Africa has imported over 200,000 tons of wheat. Also, British East Africa, which was self-sufficient in wheat until 1956, is now importing over 30,000 tons a year because of rust damage in Kenya; and other countries are upping their wheat imports from 5 to 30 percent.

Livestock numbers in many of the countries are high; nevertheless, some of them are now importing larger amounts of canned and dried milk, processed and fresh meats, and tallow. Rice is being bought by French West Africa, Mauritius, Reunion, Liberia, Union of South Africa, and Sierra Leone. Textile and fish imports are important, and so is sugar for some countries, and to a lesser degree, tobacco. Yet the area is also a big exporter of both sugar and tobacco.

#### Trade With the U.S.

Many of the countries south of the Sahara have favorable dollar trade balances, particularly those supplying coffee, cocoa, sisal, rubber, and min-

erals. In 1957, the United States sold this part of Africa products valued at slightly over \$573 million and in return took \$524 million worth (excluding gold and uranium). The agricultural side of this trade, however, is not so well balanced. African imports of U.S. farm products in that year came to only \$43.7 million, whereas U.S. purchases of African agricultural commodities totaled \$273 million.

Cocoa ranks first among the area's farm exports to the United States; from 40 to 50 percent of U.S. cocoa imports come from there. The United States buys nearly all its pyrethrum for insecticides from British East Africa and the Belgian Congo; and from Madagascar and Reunion it gets most of its cloves and vanilla. The area's cashew nuts go chiefly to the U.S. after processing in India.

Substantial quantities of wool, sisal, karakul skins, other hides and skins, and wattle extract are also imported as well as moderate quantities of tea, chillie peppers, and kola nuts. The United States is the major buyer of South African frozen lobster tails and, in the late winter season, takes some grapes and other fruits from there. However, only 12.5 percent of U.S. coffee imports are produced in these African countries.

The leading U.S. farm export to the area is wheat. In 1957 and 1958, the United States supplied from 35 to 40 percent of the area's wheat and wheat flour purchases, most of it in the form of flour to Ghana, Nigeria, Sierra Leone, Belgian Congo, and Angola. The United States is also a major supplier of unmanufactured tobacco to the British West African countries and Kenya, and an important supplier of tallow to the Union of South Africa and the Rhodesias.

#### Future Trade

Any forecast of the area's future position in world agricultural trade must take into consideration more than agricultural production. Of great importance is its tremendous hydroelectric power potential, particularly in middle and east Africa. Mineral resources constitute another vital asset in certain areas. These are already being exploited but substantial reserves are still untouched. Further

development of electric power would naturally lead to more extensive mining operations and a higher standard of living. It would also hasten urbanization, promote the growth of secondary manufacturing, and increase the processing of both agricultural and mineral products. Agriculture, which is rapidly changing from a subsistence to a cash economy, would expand too.

Not to be overlooked is the current political ferment in many of these south-of-the-Sahara countries, which, if prolonged, could prove a serious handicap to economic progress. But barring any major upheaval, the present trend toward a cash economy should continue. Likewise, U.S. trade with the area should be maintained.

Of U.S. agricultural exports, the outlook is the best for wheat and flour. Wheat bread in some of the West African countries is becoming a part of the diet of both high- and low-income urban groups. In the Rhodesias, for example, its consumption is reported to be expanding at a 10-percent annual rate, although this is largely a corn-consuming country. Consumption of imported dairy products is mounting, but not as quickly.

The United States can also expect greater competition in the years ahead. The Federation of Rhodesia and Ny-

asaland is already the major competitor of the United States in the world market for flue-cured tobacco, and its competition will gradually increase. South African oranges compete with California summer oranges in European markets; and the Union's canned deciduous fruits ever since World War II have entered the United Kingdom in steadily increasing quantities.

Corn from Africa could well prove to be another strong competitor. In the Union of South Africa corn production has rapidly outpaced consumption, and still larger crops are possible through the use of hybrid seed, which is being planted now on less than 20 percent of the acreage.

As for the area's big export crops, cocoa, peanuts and peanut oil, and palm products should maintain their dominant position in world trade. Certainly, there is no reason to believe that the area will not continue to be the world's largest supplier of cocoa beans, since expanded acreage and improved production methods are gradually boosting output.

Considerable potential exists for greater production of coffee, particularly of Robusta, with the emphasis on quality. While certain high-quality African coffees still enjoy a favorable price advantage in world markets, the

lower price advantage which the bulk of the Robusta grades had over the average grades of Arabica from Africa and Latin America is disappearing. As for tea, the present production of 89 million pounds a year could easily be doubled within the next 10 years if world demand and prices justify it. Cotton production will undoubtedly expand, as it has been moving upward ever since World War II, but any substantial increase in exports is unlikely for some years to come.

The countries usually grouped as being south of the Sahara are: (1) Independent countries: Union of South Africa, Liberia, Guinea, and Ghana; (2) nearing independence (1960): Nigeria, French and British Cameroons, and French Togoland; (3) other British Commonwealth countries and territories: Federation of Rhodesia and Nyasaland, Kenya, Uganda, Tanganyika, Gambia, Sierra Leone, Bechuanaland, Swaziland, Basutoland, Zanzibar, Mauritius, and Seychelles; (4) republics in the French Community: Mauritania, Senegal, Sudan, Niger, Chad, Volta, Ivory Coast, Central African Republic, Congo, Dahomey, Gabon, and Madagascar; (5) Portuguese overseas provinces: Angola, Mozambique, Portuguese Guinea, and Cape Verde Islands; and (6) other territories: Belgian Congo, Ruanda-Urundi, Reunion (a department of France), Spanish Guinea, and South-West Africa.

Right, near the docks at Dar es Salaam stands Tanganyika's new million-dollar flour mill. Below, 5-lb. packs of flour move to automatic baler in Kenya mill.





## Is There Trouble Ahead For Our Bumper Soybean Crop?

**T**HE UNITED STATES is now marketing the largest soybean crop in its history—575 million bushels. This is 90 million bushels more than last year and will mean a carryover of some 75 million bushels as against 20 million in 1958. Given another year with a bumper crop and our stocks could mount even higher.

What does this hold for the future of soybeans? Has the soybean market reached the saturation point, and hereafter are we slated for troublesome surpluses for which there is no answer?

Currently it might seem that way, but the outlook is not as bad as it sounds. Back in 1940 when most of the soybeans grown in this country were used as a hay crop, no one dreamed that in less than 20 years we would be moving 473 million bushels a year—which is what we did last year. Nor did our farmers ever imagine that in a single year they would receive \$1.1 billion for their soybean crop. Yet in 1958 this was the figure, and it was enough to put soybeans in fourth place as a cash crop. Only wheat, cotton, and corn returned more income to farmers. Tobacco had been fourth but the big 1957-58 expansion enabled soybeans to forge ahead.

Soybean sales are expected to rise again this year. Halfway through the

marketing season, it now looks as though we would move over 520 million bushels, a 10-percent increase over last year. Also, it is possible that production may not continue to rise as fast as it has. According to current indications, soybean acreage will decline 7 percent this year, influenced in part by the cut in support prices. Competition from corn will have some effect too in cutting back production, and so will our conservation reserve program for grain.

### Foreign Trade Outlets

Probably the most favorable aspect of the whole picture appears in the international field. The United States is not only the world's largest soybean producer but the No. 1 exporter of soybeans and soybean products, particularly oil. One-third of our sales go abroad, and in the last 5 years these have risen from 47 million bushels (including soybean equivalent of soybean oil) in 1953-54 to an estimated 190 million bushels for 1958-59. With the demand for soybeans growing all over the world, there is every reason to expect that these sales will continue.

Furthermore, the United States has no close competitors. Communist China, though next in line, trails by a substantial margin. Its production

in 1958 was only 60 percent of U.S. production. In exports, China is even further behind—its exports of soybeans and the soybean equivalent of oil in 1958 amounted to about 45 million bushels, or only about one-fourth of U.S. exports. (Prior to World War II, China exported about 85 million bushels of soybeans and the bean equivalent of soybean oil.) Together, the two countries produce nearly 95 percent of the world's soybeans and export nearly all of the total moving in world trade. But so extensive are our soybean and soybean oil exports that we account for about 35 percent of world trade in edible oils and oilseeds.

Japan is the leading single market for U.S. soybeans, with Germany next. As an area, Western Europe is the major taker. Substantial quantities also go to Canada. Canada in turn exports some of its own beans and meal to the United Kingdom. As a member of the British Commonwealth, Canada enjoys the advantage of lower import duties that the members grant to one another so in this way the United States, to some extent, gains entry to the Commonwealth market.

The European demand for U.S. soybeans is based on the need for high protein feed as well as for the edible oil. In Europe, there is an expanding demand for meal as that area continues to increase its livestock and poultry numbers. Per capita consumption of fat is already high so the demand for oil is not expanding as rapidly.

In the Orient, soybeans are an important source of protein in the human diet. The Japanese, for example, make numerous food products out of soybeans. About half of the beans are consumed whole, and the remainder is crushed. The oil is used the same way as we use it, and the meal goes into the food products. Thus, the market for soybean meal is a dual one—in Europe for use in livestock feed, in the Orient for human consumption.

We do not export large quantities of soybean meal—although the quantity of meal contained in our 1958 bean exports amounted to 1.8 million metric tons—but we do ship large quantities of soybean oil. Of the 166 million bushels of soybeans exported

*(Continued on page 21)*



The ancient city of Verona, scene of two of Shakespeare's famous plays, provided a beautiful background for the big agricultural trade fair.

## Champ Draws Crowds At Verona International Fair

U.S. agriculture's first travelling exhibit abroad had its first showing in March at the Verona International Trade Fair. Theme of the exhibit is the balanced feeding of livestock and poultry—with emphasis on using U.S. feedstuffs in the feed rations—to show Italian farmers how they can obtain more meat, milk, and eggs in less time and at less cost.

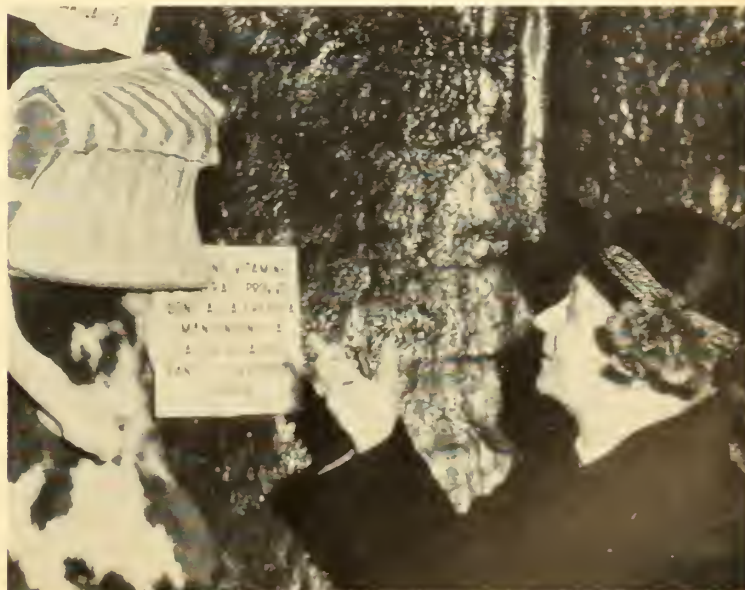
Highlight of the exhibit is "The Champ," a giant model of a Hereford steer which opens up to show the digestive, milk-producing, and reproductive processes of cattle. As a new ambassador for American agriculture it drew huge crowds at Verona. With the rest of the mobile unit it will spend the summer touring Italian agricultural fairs.



Crowds of Italian farmers and businessmen queue up to enter "The Champ." Below, priest studies exhibit inside the model steer which stresses animal health and growth.



Children hang over pen of 7-month-old Italian pigs. Pigs had been fed balanced ration, were part of U.S. display.



# Wheat Pricing Policies

## —followed by the four big foreign wheat exporters

By **CARL F. WEHRWEIN**  
Grain and Feed Division  
Foreign Agricultural Service

**T**HE FOUR MAJOR foreign wheat-exporting countries—Australia, Argentina, Canada, and France—follow widely varying wheat-pricing and marketing-control policies. In general, the objectives are to assure producers a satisfactory level of income, to facilitate the movement of surpluses in foreign markets, and to maximize foreign exchange earnings. Policies have, for the most part, been successful in attaining these objectives.

### Australia

Under Australia's government wheat program, farmers are guaranteed a minimum price for the crop of each marketing season (December-November) equal to the current national average cost of production as determined by the Ministry of Commerce and Agriculture. This price is guaranteed for all wheat destined for domestic consumption and for up to 100 million bushels of wheat and wheat flour (grain equivalent) exported.

For the current marketing season the basic guaranteed minimum producer price is 14s. 6d. (\$1.62) a bushel for f.a.q. (fair average quality) wheat, in bulk, f.o.r. (free on rails) the ocean ports. It is subject to premiums and deductions in accordance with variations from f.a.q. Farmers in the State of Western Australia are guaranteed an additional 3d. (2.8 cents) per bushel for wheat grown in that State and exported. This is in recognition of the ocean freight advantage enjoyed by that part of the country owing to closer proximity to the principal overseas wheat markets.

Marketing of wheat is the sole prerogative of the Wheat Board, a government organization. Farmers are required to sell their entire commercial production to the Board, and it is obliged to sell wheat for domestic consumption at a price no less than the calculated national average cost of production. For the current marketing season, the Board is selling f.a.q. wheat for domestic use at a price equal to the cost of production, that is, 14s. 6d. (\$1.62) per bushel, in bulk, f.o.r. the ocean ports, plus 2d. (1.9 cents) to cover the cost of transporting wheat to the island of Tasmania.

Exporting of wheat is done either by the Board or through private traders, acting on behalf of the Board. It sells to IWA (International Wheat Agreement) countries at prices in conformity with current IWA export prices, and to other countries at the best prices obtainable. When wheat export realizations exceed the guaranteed

minimum price, the excess, up to a maximum of 1s. 6d. (16.8 cents) per bushel, is deposited in a Wheat Stabilization Fund. When export realizations fall below the minimum producer price, the fund is drawn upon to pay farmers the difference. If the net proceeds of the Board's operations during a marketing season permit, farmers will receive supplementary payments based on the quantity and quality of the wheat delivered to the Board.

### Argentina

Each marketing season Argentine farmers are paid a government-fixed wheat price, which normally remains constant throughout the season. The price for 1958-59 crop wheat, however, has been increased twice over the original level fixed in April 1958. At the present time, it is 200 pesos per quintal (equivalent to 80.3 cents per bushel at the exchange rate of 67.726 pesos per U.S. dollar) for both of the basic grades of wheat, semihard Grade No. 2 and Candéal or Tanganrock (Durum) Grade No. 2, weighing 78 kilograms per hectoliter (60.6 pounds per bushel). This is the price for sacked grain f.o.b. (free on board) Buenos Aires.

Farmers are required to sell their commercial production to the National Grain Board, a government organization. The Board does not export wheat; this is done by private traders, and the Board sells wheat to them on a bid basis. Before exportation, traders must pay a so-called retention tax of 20 percent of an artificial value for wheat fixed by the Board for this purpose. At the present time, this value is 3,900 pesos per metric ton (\$1.57 per bushel) for grain in bulk and 4,500 pesos (\$1.81 per bushel) for bagged grain.

The purposes of the retention tax are (1) to raise government revenue, (2) to insure that the exporters will not receive exorbitant profits, and (3) to encourage traders to export at the highest obtainable prices in order to maximize foreign exchange earnings. The rate of the tax and the value for wheat upon which it is based are subject to change from time to time. The Grain Board sells wheat for domestic consumption at fixed prices.

### Canada

The Canadian Wheat Board, a government organization, is in virtually complete control of the marketing of wheat

*(Continued on page 22)*



## TRADE PROSPECTS FOR WHEAT

SINCE WELL BEFORE the turn of the last century, the United States has ranked among the world's major exporters of wheat. With the onset of World War II, the export market became even more important as an outlet for U.S. wheat. Heavy demand stemmed, first, from wartime food requirements and, later, from the food import needs among war-torn countries. This encouraged rapid expansion of wheat production in the United States. It also helped boost production somewhat in other exporting countries.

Ironically, during this period of heavy demand, U.S. wheat was also moving toward commercial isolation from world markets. The status of the United States as a creditor nation reached a peak, and the so-called dollar gap assumed critical proportions. Consequently, the U.S. Government, recognizing a growing obligation to help promote the best interests of friendly nations, found it necessary to exercise restraint in moving its own products overseas so as to give other exporters a continued reasonable opportunity to compete.

This need for restraint still exists today. For example, the question is

**By DONALD J. NOVOTNY**  
**Grain and Feed Division**  
**Foreign Agricultural Service**

often asked why the United States cannot sell its surplus wheat overseas by lowering its export prices below existing world price levels. First of all, because of their more pressing foreign exchange needs, other exporting countries would be forced to undertake equal concessions to maintain their export volumes. Thus, a lowering of prices would not only fail to obtain for the United States a greater share of total world trade, but it would conflict with the traditional International Wheat Agreement policy of maintaining a stable world price and stable trade patterns. Also, it is generally agreed that lower wheat prices bring little or no increase in total trade.

Occupying a relatively isolated position in world wheat markets has certain advantages. When world supplies are short, as they were throughout most of the 1940's, the U.S. wheat economy prospers. Stocks carried over from earlier years find a ready market. Prices may rise, and, as they do, they become capitalized into the value of wheat

lands. (Over longer periods, however, this may be undesirable, for as wheat prices decline again, land prices must also decline. If they do not, wheat farmers find their costs increased; and this, in turn, reduces their apparent efficiency as related to producers elsewhere in the world.)

Another desirable aspect of the U.S. position is that whenever effective world import requirements increase, the U.S. wheat economy is likely to benefit the most. Virtually all of the wheat-growing countries of the world, except the United States and Canada, are already encouraging increased wheat production by various domestic programs and policies, and they would be unlikely to expand much further in response to new demands. The United States, on the other hand, and to a lesser extent, Canada, would be in a much better position to expand since both are limiting wheat production.

Furthermore, it is reasonable to expect that since the United States has been following a policy of restraint at the current level of world demand, it would be likely to capture a large share of any net addition to total world demand that might occur. This pe-

culiar aspect of the U.S. position provides a strong basis for active market development work aimed at expanding the consumption of wheat foods among the peoples of certain countries, work that has already been undertaken by U.S. wheat groups in cooperation with the Department of Agriculture.

### **Adverse Effects**

The adverse side of occupying a vulnerable position shows up when the world's exportable supplies become greater than effective world import demand. Excess wheat supplies must be withheld from the world market—traditionally through government action—to prevent ruinous price declines. Regardless of whether the excess stems from an increase in exportable supplies or from a reduction in demand, it tends to become concentrated in the hands of the most vulnerable supplier. And the relatively limited extent to which this excess or surplus appears elsewhere, if at all, represents the extent to which the most vulnerable supplier has, in effect, been able to persuade others to withhold supplies also.

When an exporting nation maintains this position over a period of years, other wheat-trading countries, whether importers or exporters, tend to lose sight of the original causes and expect that nation to bear the brunt of any and all fluctuations in world market conditions. Moreover, they are inclined to hold the policies of that country primarily responsible for any imbalance, particularly an oversupply.

Under such conditions, the United States saw its dollar export markets decline and its surpluses rapidly begin to accumulate, especially after the Korean War. It therefore embarked on a series of special government-financed export programs. These programs, authorized under Public Law 480, began operations late in 1954-55 and were designed to expand the effective world import demand for wheat. Judging from increases in total world wheat trade, they have had marked success.

The future of U.S. wheat exports still hinges, in part, on the extent to which demand can be expanded through the use of special government export programs. It is extremely difficult to predict what form these will take in the years ahead. Currently,

U.S. programs primarily involve sales for local currency. These have had the dual effect of, first, increasing a country's ability to buy, and, second, of allowing underdeveloped importing countries to use their scarce foreign exchange to speed up their economic development and thus enhance consumer purchasing power.

Exports of U.S. wheat under the present special-program measures are likely to show no more than small gradual increases over the current level of 250 million to 300 million bushels annually. It's always possible, however, that new measures may be devised which would broaden the use of U.S. wheat either in supporting economic development abroad or in discouraging the further expansion of production under relatively uneconomic conditions.

### **Cash Exports**

With regard to the future of exports for cash or payment in dollars, the key there is the extent to which effective world demand (aside from that owing its existence to government programs) can or cannot be met with wheat from other exporting countries. The capacities of surplus-producing areas outside the United States to export wheat are likely to continue the gradual growth of the last 4 or 5 decades.

As for import demand, given continued external financial assistance for economic development, the underdeveloped, heavily populated areas of the Far East should require a much larger volume of imported wheat each year to meet consumption needs. South America and Africa in the years ahead may also need to increase their wheat imports, although domestic production in these areas should come closer to keeping pace with consumption than in the Far East.

According to recent trends, wheat imports into Western Europe and Japan may show little growth beyond present levels. Domestic production has been rising and consumption falling at a rate that may even bring some decline in the import needs of several Western European countries.

Consequently, although U.S. wheat exports for dollars should be maintained, little, if any, opportunity appears to exist for expanding dollar sales beyond the present annual vol-

ume of approximately 150 million bushels over the next few years.

### **Possible Developments**

There are two factors, not widely recognized, which may alter this forecast somewhat. One is the extent to which wheat production continues to be fostered in importing countries under relatively high-cost conditions. The postwar world has seen a substantial increase in the amount of high-cost production, owing to various protectionist measures aimed at the achievement of economic and political goals, particularly self-sufficiency in food and balance of payments stabilization. But as the national economies in Western Europe and other areas grow there may be a lessening of government emphasis on wheat production as a means to these goals. Such a change in attitude would help greatly in allowing wheat to move more freely between relatively low-cost and relatively high-cost production areas, thus tending to expand total world trade.

The other factor, which is even less predictable at this point, is Russia's potential export capacity. The USSR has regained its lost position as a major wheat exporter. Thus far, most of its exports have been to Eastern Europe; shipments to Free World markets have been comparatively small. Nevertheless, further increases in Russia's annual production can be expected to have a strong bearing on the size of the outlet for U.S. wheat.

These two factors—the Soviet Union's potential and the high cost of wheat production in certain economically advanced countries—are particularly important to the United States. While lessening of high-cost production may have a favorable effect on U.S. wheat exports, the continued growth of Soviet wheat production could prove otherwise. The two factors might, of course, offset each other.

What finally appears to be the most likely expectation with regard to the future for U.S. wheat exports is that they will probably not decline below current levels of 400-450 million bushels annually. Moreover, it is quite probable that the annual export volume will retain its traditional irregularity and that increases, if any occur, will be small and gradual.

# New International Wheat Agreement Establishes Percentage Buying

By CARL F. WEHRWEIN  
Grain and Feed Division  
Foreign Agricultural Service



## Importing Countries

Austria  
Belgium with Luxembourg  
and Belgian Congo  
Brazil  
Ceylon<sup>1</sup>  
Cuba  
Denmark  
Dominican Republic  
West Germany  
Greece  
Haiti  
India  
Indonesia  
Ireland  
Israel  
Japan  
Korea  
Netherlands  
New Zealand  
Norway  
Peru  
Philippines  
Portugal and overseas  
territories  
Federation of Rhodesia  
and Nyasaland<sup>1</sup>  
Saudi Arabia  
Switzerland  
Union of South Africa  
United Arab Republic<sup>2</sup>  
United Kingdom  
(excluding territories)  
Vatican City  
Venezuela

## Exporting Countries

Argentina  
Australia  
Canada  
France  
Italy<sup>3</sup>  
Mexico<sup>3</sup>  
Spain<sup>3</sup>  
Sweden  
United States

THE NEW 3-year International Wheat Agreement, which becomes effective on August 1 of this year if a sufficient proportion of the interested countries accept it, in some respects represents a marked departure from the three preceding agreements. Not only are its objectives more comprehensive, but it stipulates for each of the importing member countries a minimum percentage of its annual commercial wheat and flour imports which it is required to purchase from the exporting members. Under the preceding agreements, the last of which expires on July 31, each importing member was assigned an annual quota of a specific quantity of wheat for purchase from the exporter members.

These minimum percentages range from 30 for the United Arab Republic to 100 for the Vatican City. For some of the most important wheat importers the percentages are: United Kingdom, 80; Federal Republic of Germany and India, each 70; Japan and Brazil, each 50; and Netherlands, 75. The weighted average for all of the 30 importing members is a little over 70 percent.

On the basis of international trade in wheat during 1954-55 through 1957-58, the annual average of 70 percent is equivalent to about 420 million bushels. The specific quantities which the agreement expiring on July 31 assigns to the importing members for annual purchase from exporter members total only 295 million bushels.

Furthermore, under the new agreement, if prices remain within the stipulated price range, importing members are definitely committed to purchase from exporting members an average of 70 percent of their annual commercial wheat and flour imports. Under the expiring agreement, the importing countries were not committed to purchase any of the 295 million bushels

from the exporting countries unless the price dropped to the minimum.

## Price Regulations

The basic minimum price was left unchanged at \$1.50 per bushel but the maximum was reduced from \$2.00 to \$1.90 per bushel in Canadian currency, for No. 1 Manitoba Northern wheat in storage at Fort William or Port Arthur, Canadian ports on Lake Superior. These are the prices at the parity for the Canadian dollar determined for the purposes of the International Monetary Fund as of March 1, 1949.

The price range stipulated in the new agreement includes the minimum and higher prices up to, but excluding, the maximum. The agreement prescribes the basis for equivalent minimum and maximum prices for wheat of this and other types and grades, at other Canadian ports and at ocean ports or country boundaries of the other exporting member countries.

Under the new agreement, when prices are within the price range, the 9 exporting members undertake to make available for purchase by the 30 importing members sufficient wheat and flour to satisfy their total annual commercial wheat and flour import requirements. Under the old agreement, it was obligatory for the exporting countries to sell wheat to the importing countries only when the prices were at the maximum. However, when the prices are above the price range in an exporting member country, its obligation to sell wheat and flour to the importing members is more limited. And when the prices are above the price range in all, or in more than one but not all, of the exporting countries, the importing countries are relieved of all, or a portion.

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<sup>1</sup> New countries.

<sup>2</sup> Replaces Egypt.

<sup>3</sup> Under previous agreements these countries were listed as importing countries.

# **VENEZUELA**

## **the world's largest dollar market for U.S. LIVESTOCK**



**By Frederick M. Lege, III**  
**Dairy and Poultry Division**  
**Foreign Agricultural Service**

**L**AST SUMMER I spent 6 weeks surveying markets for U.S. dairy cattle in Latin America, and in the November issue of *Foreign Agriculture* I reported on this trip and my conviction that some of our Southern Hemisphere neighbors are excellent outlets for our dairy cattle.

Just recently I made a similar trip through Venezuela—which I missed on the first swing-around—and it was apparent that of all the Latin American countries Venezuela is by far our No. 1 livestock market. In fact, at the present time, it is undoubtedly the world's largest dollar market for U.S. livestock.

The Venezuelan Government recognizes that its resources are tied to one thing, oil, and that for a more balanced economy it must develop its agriculture. To this end, the government last year authorized the spending of \$200 million for livestock imports to im-

prove its beef cattle. And within a short time, this will be followed by accelerated dairy cattle and swine improvement programs, for which dollars from petroleum sales will help pay the bill.

Also, it is well to remember that Venezuela has the highest per capita income of any Latin American country, and where there is more money to spend for food it usually goes for such things as meat and milk and other dairy products.

Already Venezuela has made tremendous progress in its livestock and associated industries. It has made the most rapid strides in animal health of any of the Latin American countries. It is the only one requiring that all fluid milk sold retail be pasteurized, the only one to enforce the law against diluting milk with water. And despite the high prices for many foodstuffs,

top quality milk is sold in Venezuela as cheap as any milk in Latin America.

### **Market Opportunities**

U.S. beef cattle breeders have not paid sufficient attention to this market, and, as a result, the Venezuelan buyers have just completed the purchase of 200 Brahman bulls in Cuba. This represented just one ranch's requirements, but it is being followed by larger purchases and also by purchases in the Dominican Republic. However, it could just as easily be followed by cattle buying in the United States, and this is why I went to Venezuela.

As every salesman knows, you can't keep a market without servicing it, nor can you build up a potential market without establishing contacts. My task was to establish friendly relations between breeders of both countries and

*(Continued on page 14)*



Venezuelan Agricultural Minister Victor Jimenez Landinez opens the First National Agricultural and Livestock Exposition, in Valencia, before big crowds of cattlemen.



Six U.S. national breed associations participated in the Valencia show in April. Many U.S. breeders were present too. Here County Agent L.E. Brandes of Texas judges Brahman cattle. U.S. Brahman breeders' award for the champion Brahman bull went to owner Ramon Branger.



Above, Venezuelan Brahman cattle from U.S. bulls and U.S.-sired Cuban bulls. Left, Carlos Herrera Zubillaga is awarded the Houston Fat Stock Show's most distinguished exhibitor trophy by Frederick M. Lege, III, FAS market specialist (left).

to offer them the services we have to give. We did this—Dr. Raymond Ogg, our agricultural attaché in Venezuela, traveled around with me—by talking to ranchers, agricultural officials, research men, veterinarians, even the feed people. But our main job was to put the Venezuelan dairy cattle breeders in direct contact with ours.

We found that the market for U.S. dairy cattle was mainly for Brown Swiss, Holstein, Jersey, Guernsey, and perhaps a few Ayrshires, in that order. Some of the breeders interviewed in Caracas and Valencia felt that it was almost obligatory to cross U.S. breeds with Brahman to produce an animal that can withstand the rigorous climate, ticks, and poor pasture. We felt that the problem was possibly more that of management and nutrition than of climate and ticks.

### **Immunization**

Cattle brought into the Valencia area are generally immunized against anaplasmosis, pyroplasmosis, and babesiosis before being turned into pasture. In the young animals this begins upon arrival whereas the bred heifers are kept in the stations until they calve and then the immunization starts. It takes from 3 to 4 months and costs from 400 to 500 Bolívars, about \$120 to \$150, but after it is completed the owner receives a 1-year insurance policy against death from tick fever. The representatives of the Ministry of Agriculture told us that it would be a tremendous help to Venezuelan breeders if these animals could be immunized in the United States. Certainly it would be a great sales advantage for U.S. breeders.

In our meetings with the members of the various branches of the Ministry of Agriculture we urged them to buy only animals with proved production records on both their sires' and dams' sides. We explained that the U.S. dairy breed associations would be glad to help their breeders on buying missions in this country to locate the cattle that will meet the production requirements and, in most cases, at the price they want to pay.

While I was there, breeders came to see me about buying cattle in the United States. An official of the Western Regional Cattlemen's Association

called at my hotel in Caracas to see if I could help find him a Brown Swiss bull and heifer that could win in the Venezuelan shows this summer. He also wanted 10 Brahman bulls from 2 to 3 years old, 5 heifers, a show Brahman bull, and two show heifers.

We also talked with another important breeder while in Caracas. His hacienda, which is located in the State of Zulia, runs 14,000 head of Holstein and Brown Swiss cows, and some Santa Gertrudis breeding cattle. He's been importing bulls from Texas since 1951 and has been well satisfied, except for his last shipment. His Zulia set-up produces approximately 3,000 gallons of milk a day, but with an average of only 1.2 gallons per cow; consequently, he is interested in starting a production testing program. Recently he bought a U.S. bull, and the seven nearest dams average 26,651 pounds milk a year, 3.7 percent fat.

### **Herd Improvement**

On the way to Valencia we stopped at the Ministry of Agriculture's experimental farm at Maracay. Here they are doing research work on the criollo dairy cattle. They have 97 animals in milk that are giving about 10 liters of milk a day average. They all are fed well with concentrates and silage, so every effort was being made to develop good records to show the potential of the native breeds. Brown Swiss and Red Poll bulls from the United States are being crossed on the native cattle.

Venezuela has a new Dairy Herd Improvement Association program and here indeed would be a chance to help the government and the dairymen. Dr. Hector de Armas, head of the Division of Animal Husbandry, is anxious to get about 10,000 annual records. Currently the herds have low levels of production but testing is only a partial remedy. Additional help from the outside is needed in the selection of animals for longevity and high production.

The Ministry of Agriculture is expanding its forces as rapidly as possible to cope with the country's growing dairy industry but so far it has not been able to keep up with the expansion. We were happy to see the splendid progress that the government veterinarians have made in their fight

against tuberculosis and brucellosis. They have adopted a test and slaughter program similar to that used in certain areas here, and they pay the farmers indemnification for the animals condemned. It is expensive, but the figures showed only .03 percent of the animals tested to be infected.

The Venezuelans are to be congratulated too on their fight for 100-percent pasteurized milk. All milk for fluid use and for manufacture must be pasteurized before it can be sold to consumers. And as I mentioned earlier, another milk regulation unusual for Latin America is the imposition of heavy fines for anyone selling milk that has been "extended" by adding water. In spite of these regulations, milk is sold at a price within reach of low income groups.

### **Feed and Pastures**

Fortunately, we were also able to learn something about the feed and pasture situation. Dr. Eduardo Mendoza, head of Venezuela's largest feed company, called at the attaché's office and told us he is importing soybeans from the United States to crush in Venezuela. He has brought in 600 tons so far and is going to import 1,200 more before the end of the year.

Pasture improvement looks fairly hopeful. In a talk with Rufus Walker, pasture and rice expert from the University of Louisiana who is working down there with the Rockefeller Farms, I mentioned my belief that some form of clover or alfalfa would do in this area in spite of what I had been told. He smiled and said that they had planted Peruvian alfalfa from seed bought in the United States and that they were cutting from 2 to 3 tons per hectare every 20 days under irrigation.

All in all, we met a lot of cattlemen. In the Valencia Exposition grounds we met 14 breeders, some the most important in the area. They were enthusiastic about meeting U.S. breeders face to face, hoped some of them would attend Venezuela's cattle shows this year. In other places breeders made a special point of explaining their needs to us. So when I left I was even more convinced than ever that Venezuela today and Venezuela for the next 4 years is our big market if our breeders go after it.



Photos courtesy Pan American Union

Honduran worker with prime stalk of bananas. Several Central American Republics are big banana exporters, with the United States taking the largest share.

## Central America Looks Ahead

By KATHRYN H. WYLIE  
Latin American Analysis Branch  
Foreign Agricultural Service

CENTRAL AMERICA is awakening to the possibilities of economic development and is making progress toward that goal. Simultaneously, there is intensified interest in industrial growth, which may push the old dream of economic integration over the threshold into reality. The five Central American Republics already have signed two agreements that are the basis for fuller cooperation, among them (1) a multilateral trade treaty looking toward a customs union, and (2) an industry agreement that should encourage diversified development for the Central American market. Panama has not decided whether or not it will join its northern neighbors in these endeavors. So far, it has participated in discussions as an observer only.

More time probably will be needed to realize the dream than is generally recognized. Serious problems still remain before the first new industry will be sending its products freely across the borders. Five countries must decide what industries are best for the area and in which country they should

be located. National pride and vested interests in plants, factories, or farms that are already going concerns slow enthusiasm for ready agreement to any particular scheme. Traditionally, the five Republics, plus Panama, have produced the same or similar things, and there has been little trade between them. A desire to protect domestic producers and labor makes for hesitation in freeing trade movement in all commodities.

Economic integration is not now geared to agriculture, but agriculture will be affected in many ways as the program gains momentum. More processing of agricultural commodities within the region will come in the initial stages. And, over the long pull, expanding incomes may generate a per capita demand for many products that will outrun capacity to produce. Trade should rise accordingly.

### Accomplishments to Date

In spite of obstacles, the five countries have signed agreements that show their willingness to tackle the prob-



In Costa Rican coffee plant wheel removes pulp from berries. Coffee is an important moneymaker for this area.

lems, even the big ones. They have adopted uniform tariff nomenclature throughout the area. And in this, Panama also has cooperated, putting the new nomenclature into effect on January 1, 1958. Standard road signs for use in all countries were designed, and an agreement for their use was signed recently.

Studies made by the Economic Commission for Latin America and the Food and Agriculture Organization working in cooperation led to a recommendation that a paper and pulp industry should be one of the first integrated industries. General agreement has been reached that this industry will be located in Honduras, and plans are already under way to get it started on the north coast of that country. Serious consideration is being given to the selection of a tire factory in Guatemala as another of the industries whose products will receive the advantage of free trade movement among the five countries. Some studies have been made and some are in process on other sectors of the area's economy.



Sisal cord is manufactured in El Salvador mill. Like its neighbors, country is striving for industrial growth.



Drying rubber in Guatemala. A tire factory in Guatemala may be chosen to serve all five of the Republics.



This Honduran plant is one of the few in Central America to produce oil commercially from the African oil palm. The oil is used in making soap and shortening.

### Impact on Agricultural Trade

Agricultural commodities produced by each of the Central American Republics are the same or similar in nature. The principal exports from the area are coffee, cotton, bananas, and cacao, all of which go largely to markets outside the area. With the exception of cotton, the United States takes the biggest share, although Europe is taking an ever larger slice.

All countries import wheat or flour and, in lesser amounts, fats and oils, dairy products, and processed foods. These, for the most part, come from outside the area. Here, too, the United States is in first place, supplying more than any other country.

There is movement of staple crops—like corn and beans—into El Salvador from neighboring countries and, in years of local scarcities, there is border trade between other countries as well. Livestock moves from Honduras and Nicaragua to their neighbors. A small but increasing flow of processed agricultural commodities is moving from El Salvador to other Central American countries, and fresh vegetables and fruits are going from Guatemala to El Salvador and from Costa Rica to Panama.

Economic integration of the region, no doubt, will intensify the intraregion movement of agricultural products. Also, it probably will intensify the trend toward more processing of agricultural products within the common market area and less buying of proc-

essed commodities from outside the area. As the local livestock and dairy industries expand, the United States may expect a slowing-down in exports of processed milk and fats and oils in the initial stages when the area is building up tariff walls around its new industries. But Central America, now and for some time to come, will continue to import wheat or wheat flour—probably wheat—and the United States should be able to compete for this market.

Although there is an effort to diversify agricultural output for the export market and some success has been achieved, the principal exports probably will continue to be coffee, bananas, cotton, and cacao. Production of rubber is expanding, however, and within a few years may not only supply the domestic market but furnish some foreign exchange as well.

Population in Central America is rising rapidly—at least 3 percent a year. More and more these people are beginning to realize that a greater degree of economic development must be accomplished to take care of all of them and to raise the level of living of the lower-income groups. Many of them are looking to economic integration to hasten their progress toward this goal. As it is reached, we can expect that Central America will follow the pattern of the more highly developed areas of the world and become a market for an expanding volume and variety of commodities.

# Effects of Large Beef Imports on U.S. and World Meat Industries

By JOHN E. RAY  
Livestock Division  
Foreign Agricultural Service

IN THE LAST 2 years the United States has been importing more and more red meat. From a low in 1956, imports reached record levels in 1958 and remained high during the first quarter of 1959. Total 1959 imports were expected to equal those of 1958.

What has caused these sharply expanded imports? The chief reason is that cattle production runs in cycles. Similarly, beef imports run in cycles, though in reverse order. When domestic production is high, prices drop and farmers' incentives to produce are weakened. This results in short supplies and rising prices in the following period. To help meet domestic demand, buyers turn temporarily to the import market.

In the current cycle, production of boneless beef and mutton has been especially short. Cows provide most of the country's boning beef, and cattle breeders and meat packers have been competing for these animals. The packers need more slaughter animals for full-time operation, while the breeders have been encouraged through high beef prices to hold their cows for breeding.

The shortage of low grade slaughter cattle—both cows and steers—pushed boneless cow beef prices from 34 cents a pound at Chicago in April 1957 to 50.5 cents a pound in April 1959. This rapid rise in boneless beef prices was accompanied by increases in boneless mutton prices. As a result, the sharpest expansion in imports has been for boneless beef and mutton.

## Impact of Imports

The effect of these imports on the U.S. economy has been subject to widely varying judgments. Producer and processor groups have viewed imports as a threat to their industry and have

urged restrictions. On the other hand, some spokesmen for consumer groups, viewing sharp increases in retail beef prices, have asked for continued imports to help hold down price rises and curb further inflation.

Although imports have held beef and cattle prices down somewhat, when April 1959 prices received by farmers—\$24.10 per 100 pounds or 104 percent of parity—are compared with 1956 prices—\$14.90 per 100 pounds—when imports were light, it seems that this effect has not been overly severe. Some economists consider the sharp upturn in beef imports as beneficial to the cattle industry as well as the consumer. They believe that imports, by helping to maintain the supply of beef during periods of low output, tend to keep consumers eating beef instead of turning more and more to other less expensive meats, such as chicken and pork.

It has also been argued that imports have taken the edge off sharp price rises, thus slowing down a too-rapid build-up in output which would lead to an inevitable slump. This effect has not been evident so far; present indications point toward an unusually rapid rise in cattle population leading to oversupply with resulting weakening of prices.

Sheep producers have blamed recent low prices on heavy imports of mutton and lamb. Prices they got for lambs in March 1959 were down 18 percent from a year earlier. By April, prices had recovered somewhat as lamb slaughter eased off. During the period when most sheep and lamb prices were depressed, the price for frozen boneless mutton—which comprises a major share of U.S. lamb and mutton imports—continued to be high.

The meat boners too are concerned over foreign competition, and not without reason. The sale of imported boneless meat has risen sharply in several sections of the country. But the meat boners' major problem seems to lie in a severe shortage of boner animals for processing. Slaughter of canner and cutter cattle dropped 49 percent from 1956 to 1958. If beef imports were cut off, there probably would not be an appreciable increase in the marketings of low grade cattle for boning. Despite foreign competition processors are getting more money for their products, but the lack of slaughter animals has forced them to sharply curtail their operations and lay off employees.

## Effect on Foreign Countries

The rapid expansion in U.S. imports during 1958 has had a severe impact on foreign meat trade. Appreciable quantities of beef, veal, and boneless mutton were diverted from usual markets to the United States. In the United Kingdom, which depends heavily on imported beef, supplies dwindled and prices soared; and in New Zealand and Australia, prices for low grade slaughter animals reached record levels. Mexican authorities, alarmed over large exports to the United States, placed an embargo on shipments of cattle and beef for a short time in early 1959 to protect Mexican consumers. Also, Mexican cattle and beef export taxes have been upped.

The U.S. meat-animal population totals almost 97 million head of cattle, 57 million hogs, and 33 million sheep. The United States produced 26 billion pounds of meat last year, equal to about 28 percent of world production and over twice the output of Russia—the world's second largest meat producer. U.S. production dropped about 2.3 billion pounds from 1956 to 1958. To make up the deficit would have taken the combined exports of Australia, New Zealand, and Argentina. In fact, the total world meat trade in 1957—5.6 billion pounds—amounted only to 21 percent of U.S. production that year.

Meat-exporting countries have mixed feelings regarding the United States as a meat importer. They realize the

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## Wheat Agreement

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of their percentage purchase obligations.

### Objectives

The old agreement states as its objectives "to assure supplies of wheat to importing countries and markets for wheat to exporting countries at equitable and stable prices." The new agreement cites these same objectives but adds several other significant ones. An attempt to solve the problems of burdensome surpluses and critical shortages of wheat is one of the most important. Another is to promote international trade in wheat and wheat flour and to encourage the freest possible flow of this trade. Others are the encouragement of increased consumption of wheat and wheat flour wherever possible, and the furthering of international cooperation on world wheat problems because of the close relationship of the world wheat trade to other agricultural markets.

Guided by these objectives and using pertinent information obtained from the member countries and other sources, the International Wheat Council will annually review the world wheat situation. It will turn over to the member countries its findings regarding national wheat stocks, production, consumption, trade, prices, surpluses, and shortages, and it will inform the members of the effects of these facts upon the international wheat trade. It will also advise the members of appropriate methods of increasing consumption of wheat.

The exporting members are to report to the International Wheat Council at specified times within each crop year (August-July) the estimated quantities of wheat and flour which they will have available for export during the year. The importing members are to inform the Council by September 15 of each crop year what their estimated commercial wheat and flour import requirements from the exporting members will be for the year. None of the estimates are binding. Both groups must also submit prescribed reports of imports and exports of wheat and flour.

There are provisions as to action to be taken by the IWC in case of an

# 1959 British Farm Price Review Holds Guarantees at 1958 Levels

The annual farm price review in the United Kingdom this spring led to only minor changes in guaranteed prices; broadly speaking, the total value of the guarantees was maintained. Last year's review resulted in a reduction of guarantees, which brought forth protests from the National Farmers' Unions. But the NFU this year agreed to the price determination, and there is general satisfaction with the outcome of the review.

Under the long-term assurances of the Agricultural Act of 1957, the government might have reduced the total value of the guarantees (price guarantees plus production subsidies) by \$53 million. Instead, it granted an increase of \$8.4 million. This includes, however, the estimated \$16.8-million-dollar cost of the recently introduced Small Farmers' Scheme, which will benefit only a small group of producers.

The level of guarantees determined in the price review naturally affects the level of farm income as well as the trend of production for the various commodities concerned. This year the government appears to have been more concerned with the former than with the latter. In its White Paper<sup>1</sup> it points out that adverse weather conditions have outweighed favorable conditions in the last 5 years, canceling out a large part of the farmers' gain from greater efficiency. This was a consideration in the decision to maintain the value of the guarantees for 1959-60. Some observers mention the fact that this is an election year.

<sup>1</sup> *Annual Review and Determination of Guarantees, 1959.* Cmnd. 696.

unforeseen shortage in an exporting member country's wheat crop; or if an importing member should find itself in balance of payments difficulties; or if any member country should appear to be in default of its obligations. Other provisions deal with disputes between members, withdrawal of members, accession of additional countries, and amendments.

According to the White Paper, the purpose of the agricultural policies remains the same—to deemphasize production of wheat and rye and encourage production of feed grains and other feedstuffs, as well as of beef. It is felt that production of pork should not be increased and that of eggs and milk should be reduced. The Review made changes in guaranteed prices to encourage such trends, but to a modest degree only.

The guaranteed price of wheat and rye is to be reduced by about 2 percent, as is the price of hen eggs and duck eggs. The wool price will be reduced by 3.5 percent. All other guaranteed prices—for fatstock, milk, barley, oats, potatoes, and sugar beets—remain unchanged. However, to augment domestic beef supplies a change was made in the quality differential which will encourage production of beef from dairy and dual-purpose herds. For the same reason the hill cow subsidy was increased by 20 percent, and the subsidy for steer calves by nearly 20 percent.

The standard quantity of milk to which the guarantee applies is being increased by 7 million gallons. This is in recognition of successful efforts by the industry in 1958-59 to increase consumption of fluid milk. A new arrangement will come into force for the 1959 potato crop, but the value of the potato guarantees is stated to be unchanged.

While the White Paper expresses the government's satisfaction with recent trends in agricultural production, the high level of feed imports remains a source of concern. Imports of feedstuffs rose from 5.4 million tons in 1957-58 to about 6.1 million in 1958-59. Bad weather is considered the main reason for this increase, however. The weather is also blamed for a decline in actual net farm income, from \$993 million in 1957-58 to a forecast \$916 million in 1958-59. Government calculations show that if adjusted for normal weather conditions the trend of net income has continued to rise.



# The West German Hops Industry

Photos by Phil S. Eckert

Stretching for miles through southern Germany is the "hops highway" where the vine-covered trellises indicate that this is the center of German hop-growing.

From a study by HEINZ HAENDLER and MARION A. BALDWIN,  
U.S. Consulate General, Munich.

JUST BEFORE the Autobahn from Munich to Nuernberg crosses the Danube River a change takes place in the German countryside. All along the highway are trellises of poles and wire, for this is the Hallertau, a region of rolling hills, meadows, and picturesque villages, and the center of West Germany's hop industry. Here hops have been grown for nearly 1,200 years, and here 67 percent of the country's hops acreage is concentrated.

Hops are essential in the making of beer—7 ounces are required for 25 gallons of beer—and it is chiefly for this use that they are cultivated in Germany. The plant itself, *Humulus lupulus*, belongs to a sub-order of the nettle family and is a perennial vine growing from 12 to 24 feet high and producing an oblong, yellowish-green cone. It is the yellow, sticky powder within this cone that gives an aromatic bitter taste to beer and provides a mild narcotic.

## Traditional Cultivation

Tradition, to a large degree, still governs the growing and selling of hops. There is little or no mass production. Instead, each farmer in the Hallertau—as well as in the other hops

areas—devotes a part of his farm to hops, usually less than 1.5 acres, and at the same time, produces grain, root crops, and milk. In the spring, cuttings are taken from 3-to-5-year-old rootstocks, and after the shoots have been trimmed they are trained on wires along the trellises.

At harvesttime, the entire family may be seen in the hops gardens from early morning until dusk picking the hops cones. Itinerant workers are also employed. The vertical wires with their vines are unhooked and the cones picked. Many farmers have their own kiln in which the hops are dried. Usually the harvest lasts about 2 weeks and during that time long queues of horse-drawn wagons and trucks line the main roads, waiting their turn in the processing halls. Here the hops are officially weighed, sulfurized for conservation, baled, sealed, and tagged with grower's name and place of origin.

The actual selling, however, takes place before the hops are processed. Farmers can sell directly to the breweries or through their own sales co-operatives. The chief customers are the hops dealers, who have agents in the different areas. But it's the sub-agent, or "Schmuser," who deals direct-



Each spring the farmer sets up poles and wires. At harvesttime, the wires are unhooked and the hops are picked.

ly with the farmer. If the farmer does not accept his offer, the arguing may take a couple of hours and involve the entire family. After the weighing and sealing, the full price is paid in cash, traditionally at the village inn. There the subagent goes to get his "Schmus," or commission; he also gets one from the agent. In the past, the "Schmus" was only paid under the table—nobody knows why.

## Skill and Money Involved

Hops farming requires considerable experience and skill. The frail hops plant is extremely susceptible to disease; moreover, hops can be grown profitably only on the best soils and must be sheltered from wind.

Also, large investments of time and money are required. For example, in the Tettang area, the hops farmer's expenditures in 1957 amounted to \$485 per acre, for such things as fertilizer, insecticides, sprays, trellises, tools, taxes, kilns, and hail insurance, which alone costs around \$38 an acre. Labor costs, including harvesting and transportation, came to \$623 per acre. The average yield that year was 3,250 pounds per acre, for which the farmers received over \$3,800. This, how-



Further complications are the market's dependence on beer production in Germany and other parts of Europe and the sudden fluctuations in prices. These have moved up and down rapidly in the last few years. In 1951, hops averaged \$1,125 per ton; in 1952, prices had mounted to \$1,610; then the following year expanded acreage pushed prices down to \$693. They climbed gradually from 1955 to 1957 when an alltime high of \$2,372 was reached because of an increase in beer production. By 1958, they were down again to \$1,082 for a near-record crop from the largest postwar growing area, 21,682 acres.

#### Quality—Best Protection

With this downward trend in prices, the German hops farmer has come to realize that maintaining high quality is his best protection against increasing competition from abroad. For 20 years the Hops Research Station at Huell in the Hallertau has been working to develop an ideal plant, resistant to disease, high yielding, and superior in both bitterness and aroma. Four plants which meet these requirements have been found and are being tested for use as a means of cutting costs.

German hops farmers also recognize that costs could be cut by rationalizing production according to the size of the individual farm and by greater mechanization. Mechanized hops picking would reduce harvesting costs and free farmers from their perennial labor troubles. Picking machines are now available in five different types, but most of the hops farms are small and few farmers can afford a machine costing over \$8,000. In 1958, 30 mechanical pickers were in operation, and it is hoped that cooperative use of machines will become more common.

Yet the crux of the problem is expanding acreage. The hard work involved in hops growing and the high production costs discourage new farmers from trying their hands at it, but in the regions where hops have long been the traditional crop, expanded acreage is almost inevitable now that government limitations have been removed. Unless a way is found to control expansion to avoid glutting the temperamental market, the German hops industry faces difficult years.



Hops-growing is a family industry in the Hallertau—even the children earn pocket money by picking hops.

The final stage comes when the hops are dumped into brewing vat to flavor the beer.

ever, was a record price for hops in Germany. Normally, the grower gets somewhere between \$1,380 and slightly over \$2,000 for an acre's crop.

Originally hops yields were variable but within the last 20 years scientific production techniques and equipment have more than doubled the yield per acre besides eliminating some of the risks. Nevertheless, hops production still suffers considerable variation. The trouble lies with the hops market, which seems to be as frail as the plant itself. Low prices are usually followed

by a cutback in the growing area and vice versa. Seldom is a balance between supply and demand achieved.

#### Acreage Limits Removed

In 1929, the German Government restricted hops cultivation to the traditional growing districts and in 1954 put the growing area under governmental control. Each year's acreage had to be authorized by the government and each farmer's plot approved by local authorities. Recently, the German courts ruled that limiting acreage was against the German constitution.

# Economists Warn India Of Severe Food Crisis

Unless India can triple its rate of food production by 1965-66, its projected population of 480 million people will suffer from acute food shortages.

This disaster warning was issued by the Ford Foundation team of American agricultural experts which early this year was invited to study India's food problems and to make recommendations for their solution. While the team found no simple answer to the many complex facets of India's food crisis, the proposals it made indicate that only an all-out crash program on a "war footing" can save the country from serious trouble.

Food-grain production, for example, will need to be increased from the estimated 70 million tons in 1958-59 to 110 million by 1965-66, and this target can be met only by a top-priority program designed to raise the low yields of the average farmer.

Greatest emphasis was placed on more extensive use of fertilizer. Fertilizer plants would have to be built to meet the projected nine-fold increase in the use of nitrogen, and the very large increases in both phosphoric acid and potash. Also, foreign exchange allocations for high-analysis fertilizer imports should be made available to India.

The team suggested that crops and crop-growing areas with the best potential for increased production be stressed. It urged that existing irrigation facilities be used efficiently. (India uses only a fraction of its potential water supply, one of the world's largest.) A public works program using hand labor—and thus helping India's unemployment—should be set up for carrying out agricultural development projects.

The team attempted to solve India's cattle problem—there are over 200 million cattle, most of them considered sacred—by suggesting a tax to reduce cattle numbers. Other suggestions included a high-level food production board, guaranteed prices to farmers, government action to make land tenure secure and consolidate small holdings.

## Bumper Soybean Crop

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in calendar year 1958, half went out as oil. Most of these oil exports go to Europe. Spain is the largest importer, followed by Turkey, Yugoslavia, and, in some years, Italy. Government programs, such as Public Law 480, account for a large part of the soybean oil exports; soybeans, however, are not available under this program. Other government programs account for less than 10 percent of our soybean exports.

### Now and Tomorrow

Any answer to the question about the future of our soybeans must take a short view and a long view. The short view is that right now we have the largest stocks of soybeans that we have ever had. Yet even this situation could change overnight. If copra supplies continue to be in short supply soybeans will be in greater demand; also, if Africa, which has had two successive large peanut crops, should have a bad season this year, our beans would move into the peanut trade channels.

The long view is promising. Periodically we may run into difficulties, but in the long run exports are likely to go up. First, exportable supplies from other areas probably will not increase commensurately with the rise in world import demand. In fact, it is possible that Asia, which at present still exports substantial quantities, may become a net importer. The population in Asia is rising and per capita consumption is low; hence, increasing quantities are being consumed at home. For example, India at one time was a leading world exporter of oilseeds. Today, exports are small and are controlled by quotas. Supplies coming from Asia are small compared with historic levels.

Secondly, the Middle East and Latin America—where per capita consumption is also low—are potentially good markets for U.S. edible oils, if there is general economic improvement in these areas.

And lastly, the U.S. Department of Agriculture, through its Foreign Agricultural Service, and in cooperation with such trade groups as the Soybean Council of America and the American Soybean Association, is engaged in de-

## Foreign PRODUCTION NEWS

**Brazil's 1959 oiticica oil** production has been drastically reduced as a result of extensive drought. Output is estimated at 1,600 to 3,300 short tons, compared with 17,000 tons in 1958. Oiticica oil is used as a drying oil in paints and varnishes and Brazil produces virtually the entire world supply.

**Portugal's 1959 almond** production has been developing so favorably, according to the Portuguese trade, that only exceptionally bad weather could change present prospects for a good crop. Output of about 5,000 short tons (shelled) is now forecast, compared with only 3,000 tons in 1958. Portugal, the world's fifth largest almond producer, competes with the United States in Western European markets.

**Argentina's** planted peanut area is at a record 681,996 acres this year—over 10 percent larger than 1957-58 plantings. Last year Argentina exported large quantities of peanut oil, but lowered production of other edible oils this year will probably curb peanut oil exports substantially.

**Chile** expects its 1959 dried **prune** output to reach 6,000 short tons, thus continuing the upward trend of recent seasons. The 1957 and 1958 packs were both substantially above the 1951-55 average of 4,100 tons. Chile is one of the major sources of dried prunes and ships large amounts to Denmark, West Germany, and the United Kingdom.

veloping markets for soybeans in the Orient, Europe, and Latin America. Markets are being surveyed, consumption and trade analyzed, and promotional activities—including trade fairs—embarked on. It is too early to gage the effectiveness of this work, but in time it should lead to bigger markets abroad for U.S. soybeans and products.

## Wheat Policies

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grown in the Province of Ontario west of the lakehead ports of Fort William/Port Arthur, and in Manitoba, Saskatchewan, Alberta, and certain parts of British Columbia. Wheat growers in these areas, which account for about 90 to 95 percent of Canada's crop, are required to sell their entire commercial production to the Wheat Board. Sales for seed and feed, however, are excepted.

Farmers cannot sell wheat to the Board in excess of their respective delivery quotas, fixed by the Board. Each farmer receives an initial delivery quota in advance of the marketing season (August-July). As more grain storage space becomes available throughout the season, supplementary quotas are allocated.

The farmers are paid a government fixed initial price when they deliver wheat. For some years, the initial payment has been \$1.40 per bushel for No. 1 Manitoba Northern wheat delivered at Fort William/Port Arthur or at Vancouver. Other prices are fixed for other types and grades. Farmers deliver their wheat to country elevators which purchase it as agents of the Board, and an elevator handling charge is deducted from the price.

The Board sells wheat for domestic consumption and for export through agents. Wheat is exported to IWA countries at prices in conformity with current IWA prices, and to other countries at the best prices obtainable. Wheat is offered for domestic consumption at the same prices as those quoted for export.

If net proceeds of the Wheat Board's operations during a marketing season permit, farmers receive supplementary payments. Should the Board sustain a net loss during a season, the farmers retain the initial payments and the loss is absorbed by the government. Therefore, the fixed initial price paid to growers is a guaranteed minimum producer-price. The government pays the cost of storing wheat which the Board owns and has in storage on August 1 of each year, in excess of a certain amount.

### France

For 1958-59 (August-July), French

farmers receive a government-fixed basic price for their commercial production of each of three grades of soft wheat. These basic prices remain constant throughout the season. The first two grades are milling wheat and the third is feed wheat. The prices are: first grade, 3,596 francs per quintal (\$1.98 per bushel); second grade, 3,200 francs per quintal (\$1.76 per bushel); and third grade, 2,900 francs per quintal (\$1.60 per bushel). Nearly all France's wheat output is soft wheat.

In former years, the fixed guaranteed producer-prices were paid for only a certain "quantum," which represented a certain percentage of the total quantity of wheat which farmers delivered during the year. For 1957, for example, the percentage was 85. For the balance of their deliveries farmers ultimately received the weighted average of the prices for which wheat was exported throughout the year. But since the 1958-59 French wheat crop is considerably below normal in quantity and quality, this season's crop is not subject to a "quantum" limitation.

The 1958-59 basic guaranteed prices to producers were increased by 17.5 francs per quintal (about 1 cent per bushel) per half month for grain which farmers withheld from the market beyond August 1, 1958. These increases stopped on May 1, 1959. On the other hand, the guaranteed producer-prices are subject to a number of deductions. One is a storage tax of 27 francs per quintal (1.5 cents per bushel), and another is a so-called statistical tax of 42 francs per quintal (2.3 cents per bushel). The proceeds of the latter tax are used to finance certain operations of the Government Cereals Office.

A third deduction is one to finance an export subsidy, and this is the most important tax. It is levied only on farmers who deliver a total of more than 50 quintals (183.7 bushels). This tax ranges from 73 francs per quintal (4.0 cents per bushel) for total deliveries from 51 to 75 quintals (187.4 to 275.6 bushels), to 365 francs per quintal (20.1 cents per bushel) for deliveries of over 1,000 quintals (3,674 bushels). The proceeds of this tax form only part of the fund which is used to finance the export subsidy.

The balance comes from the government treasury. Deliveries of durum wheat are not subject to any deductions.

French farmers sell wheat to private traders or cooperatives, who are required to pay the fixed prices and make the deductions. Exporting is done by private traders, but the Government Cereals Office decides when wheat is to be exported, and how much, and from which location within the country. In most cases, the total unit cost of the wheat to the exporter plus his profit margin exceeds the price obtainable from the importing country. The gap is bridged by the export subsidy. In each case, the export permit is awarded to the trader who, in a submission of bids, offers to export at the lowest amount of subsidy.

## Meat Imports

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immense possibilities of this tremendous market and are eager to take advantage of export opportunities when they arise, yet they are disturbed by the periodic sharp fluctuations that beset the U.S. meat industry. Today's strong U.S. market, demanding large quantities of manufacturing beef and willing to pay high prices for it, is viewed with suspicion by those who remember past years when a strong U.S. market for imported meat vanished as the U.S. supply position changed.

### Outlook

Large imports of low grade beef and mutton will probably continue through 1959 and 1960, but are expected to drop sharply in 1961 as U.S. output expands. Australia will supply most of the imports because other important suppliers expect lowered production during the next few years.

The United States will probably always import varying amounts of the lower grade beef and mutton. Trade contacts have been made, refrigerated cargo ships have been put on the U.S. run, and packing plants in several large exporting countries have been modified to meet the demand of the U.S. market. Imports of the higher grades of beef, veal, and mutton, however, will probably be sporadic and exports to some countries will exceed imports.



## Cuba Seeks Broiler Market, Corn Imports

Cuba, to stabilize its poultry industry, will need to import corn and export broilers. Cuba's current poultry situation, characterized by surpluses and low prices, is further complicated by feed shortages—particularly corn—and resulting high production costs.

The revolution limited broiler distribution to interior markets and a surplus began accumulating. Consumption in hotels and restaurants dropped sharply with the decline in tourist trade, thereby expanding surpluses. As a result, producer prices fell from 30-31 cents a pound to 20-21 cents between September 1958 and January 1959. The January price was about 5 to 8 cents below the cost of production.

Further, corn stocks are low and no domestic corn will be available until September. Corn will have to be imported to bring feed prices down to reasonable levels and provide an incentive to poultry farmers to remain in business.

In an effort to aid Cuban poultrymen the Agricultural and Industrial Bank of Cuba is investigating the possibility of exporting broilers to Puerto Rico.

## Colombia Will Import Poultry Breeding Stock

Colombia once again will permit imports of qualified reproduction poultry stock, under approval by the Agricultural Ministry. In recent years imports of all classes of poultry were virtually prohibited.

This action is expected to aid the Colombian poultry industry and lower prices to consumers. Preliminary indications are that Colombia's imports of breeding stock under the new arrangement will probably amount to the equivalent of around \$40,000 a year.

## France To Subsidize Apple Juice Exports

France has earmarked the equivalent of \$275,000 to subsidize exports of apple juice and concentrates. Plans call for shipments of almost 5,000 tons of concentrate and about 330,000 gallons of apple juice to European countries, and about 3,200 tons of concentrate to the United States and Canada. In addition, the equivalent of about \$120,000 is to be used to help pay back transport costs on cider apples exported between October and December last year.

## Union of South Africa Abolishes Rice Controls

The Union of South Africa has abolished government control of rice imports. As a result, rice consumption is expected to exceed 200 million pounds annually—more than double that of recent years.

Before World War II, the Union bought from 90 million to 175 million pounds of rice from overseas sources annually. During the war imports dropped sharply and, since late in 1951, greatly reduced imports have been controlled by the government.

Before the war, the Union's major rice suppliers were Burma, Thailand, and Indochina. Since the war the main source has been Egypt, with important additional quantities from Indochina, Ecuador, Burma, Thailand, Argentina, and Uruguay. Last season, however, 55 percent of the Union's rice purchases came from Communist China—the first significant amount from that source.

In the past, rice shipments from the United States have been comparatively small. But now the only restriction on U.S. sales will be prices and availability of foreign exchange. Some orders for U.S. rice were placed as soon as the controls were abolished.

## Australia Controls Exports Of Meat to United States

The Australian Meat Board has announced that it will issue export licenses only to certain approved Australian export firms. These exporters will be allowed to ship meat only to U.S. importers approved by the Australian Government. The Meat Board states that the purpose of this action is to insure orderly marketing, which will not adversely affect U.S. producers, and that this procedure will further the sound development of the U.S.-Australian meat trade.

## Italy Limits Beef Imports

Italy has banned imports of fresh, chilled, or frozen beef for processing. The action was taken in response to heavy pressure by farm organizations to protect the domestic industry. The ban will be continued until the price of live cattle at selected Italian markets rises above the equivalent of \$22.14 per 100 pounds. Prices have been dropping steadily since 1957.

Italy has been an important beef importer in the last few years. During 1958 it was the third largest importer in the free world and bought about 260 million pounds—mostly from Argentina and Denmark.

## Argentina Aims at Large Sugar Exports

Argentina hopes to export up to 140,000 metric tons of its record 1958-59 sugar crop. Argentina is not a member of the International Sugar Agreement and therefore is not obligated to restrict exports.

Argentina's domestic sugar prices are higher than world prices, but exports will be encouraged by waiving the 8-percent special tax normally applied to all exports. The foreign exchange earned by sugar sales will be used to buy agricultural and industrial equipment for the domestic sugar industry.

In calendar year 1957, Argentina shipped 89,000 metric tons of sugar to widely scattered markets including France, Pakistan, Uruguay, Greece, the Netherlands, and the United Kingdom.

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### Cuba Ships Fewer Winter Vegetables

Cuba's tomato and cucumber exports have dropped sharply. In March of this year, tomato shipments totaled 3.9 million pounds compared with 13.5 million pounds in the same month of 1958. During the 1959 period, Cuba exported 3.4 million pounds of cucumbers; last March it shipped 11.9 million. The reduced volume was attributed to lower U.S. prices and labor problems in Cuba.

### Mexico Expects To Export More Honey

Mexico expects to have more honey available for export this year because of expanded production and a heavy carryover from 1958. Output of about 40 million pounds is indicated for 1959, compared with 37 million in 1958 and 35 million in 1957. Consumption has remained steady in recent years and stocks have risen.

Exports in 1958 totaled 26 million pounds—3 million below 1957, but 5 million above 1956. West Germany is the major market for Mexican honey and the United States is second. Most of the remainder goes to continental Europe and the United Kingdom.

### Austria Needs More Vegetable Oil Imports

Austria will need to increase its vegetable oil imports about 4 percent this year, according to a recent forecast. Most imports will be crude vegetable oils, which are considered inedible and therefore are free from import duties.

Hungary may supply larger quantities of oils to Austria this year. Most of Hungary's shipments will be soybean oil produced from beans bought by Hungary from Communist China. Toward the end of 1958, Austria bought sizable amounts of this oil at prices somewhat below those of the U.S. product.

### Brazil Will Need More Wheat This Year

Brazil expects its wheat import needs to total 65 million bushels this year, compared with 53 million imported during 1958. The country's wheat crop was reduced sharply by unfavorable weather this season.

Wheat costs to millers are substantially higher than in 1958, for both domestic and imported wheat. Flour and bread prices are 35 to 40 percent higher than they were last season.

### Australia Eases Some Dollar Area Imports

Australia has announced changes in import license restrictions that will favorably affect imports of U.S. farm products. Items now on the "all country" import list include molasses, linseed cake and oilcake, linseed oil meal, cocoa beans and butter, copra, coconuts, artificial hog casings, tea, tung oil, and certain cotton and synthetic yarns. The gradual improvement in Australia's foreign exchange position was responsible for the action.

### Iraq-India Agree To Promote Trade

A new trade agreement between Iraq and India proposes that the two countries take all necessary measures to promote two-way trade. The agreement is operative for 2 years and renewable for 1 additional year subject to agreed-upon modifications. Iraq lists barley, rice, millet, chick peas, wheat, and beans as available for export to India. This is the first agreement concluded by Iraq with a non-Sino-Soviet-Bloc country (except Yugoslavia) in recent months, and the second agreement between these two countries. The first was signed in 1953.